



6th Annual City Region Conference:
A Capital City Region - Making it Happen

2009



Foreword

Leading the debate on the development of city regions in Scotland, the Centre for Scottish Public Policy's annual conference in Edinburgh in November 2009 brought together experts and practitioners in the field of urban development. In this time of extraordinary economic crisis the conference served not only to facilitate exchange between specialists, but also to inspire policy makers to think beyond the immediate necessities of economic hardship and formulate a vision for the city regions of the future.

The economic crisis has had a profound impact on the outlook of the development of city regions for the near and intermediate future – a notion that finds reflection in the contributions by the presenters at the 2009 conference and a theme that has dominated the debate on city regions for the past two years. However, the conference also highlighted the need to think ahead and strategically develop city regions and in light of the near-completion of the Edinburgh tram system particular attention has been paid to transport systems and their positive impact on the development of urban centres.

The current crisis is no different from any other, in that beyond hardship it also holds chance – in the words of the Minister for Enterprise, Energy and Tourism Jim Mather's closing speech: the opportunity 'to absorb the worst nightmares and walk away with our core attributes & competencies intact and strengthened.' While the difficulties of the credit crunch are still being felt in every sector of the economy, public and private, now is the time for decision-makers and policy initiators to develop and formulate policies for the prosperity of the city regions of tomorrow – a process that found renewal and impetus at the Centre for Scottish Public Policy's 2009 Annual City Regions Conference in Edinburgh.



High Speed and Tramway in Zaragoza

Presenting on the positive impact of transportation development in the city region of Zaragoza, Spain, Diego Artigot, Head of Transport and Infrastructure at the Zaragoza Chamber of Commerce, was able to present a valuable case study that exemplified the wealth of experience with urban development and knowledge from lessons learnt that can be found beyond our own borders.

Zaragoza is the capital city of the Zaragoza province in north-eastern Spain boasting more than 650,000 inhabitants. Looking back on a long history as a regional centre and a 'very ancient town', Zaragoza has recently been undergoing a modernisation and renewal process that will see it turn into a '21st century city.'

Being home to a wide range of industrial enterprises that encompass the automotive, electronics, chemical and renewable energies industries as well as ventures in food and agroindustries, Zaragoza benefits from its proximity to major urban centres such as Madrid, Bilbao, Valencia, Barcelona and Toulouse - all within a distance of less than 300 miles. Its location makes the city a crossroads for the regional and inter-regional transport network featuring motorways to all major urban centres within its wider vicinity and AVE high speed rail connections to Barcelona and Madrid.

Mr. Artigot specifically pointed out the benefits of the AVE, Alta Velocidad Espanola, high speed rail connections serviced by a variety of models such as the Siemens Serie 103, Alstom 100 and Bombardier Serie 102, citing the rail links' contributions to 'improving the efficiency of the transport system, strengthening social and territorial cohesion, overall sustainability and to encouraging economic development and competitiveness.' The 103 high speed trains have halved the travel times to both Barcelona (29 trains a day) and Madrid (19 trains a day) actually providing faster, cheaper and more ecologically sustainable transport than a journey on the plane between Zaragoza and these destinations. The positive reception of improved high speed transport has been reflected in steadily increasing passenger numbers.

Further reiterating the positive benefits of an improved transportation system particularly for tourism and business, Mr. Artigot demonstrated a statistical rise in the number of hotel nights booked as well as an increase in meetings, conferences and cultural events attracting visitors to the town that took place along with modernisation of transport links to/from and within the city. This positive trend continues today and provides telling evidence for the positive effects that directed and sensible infrastructure investment can have.

The experiences of Zaragoza in re-building its tram network were of particular interest to the listeners in Edinburgh, who themselves have been witnesses to the ongoing construction of the controversial local transport link. Having abandoned the tram for the purposes of local public transport in the mid-1970s, the town of Zaragoza is building a new highly modern tram system in two phases. The return of the tram to Zaragoza will be limited to a single line and is expected to reach the completion stage and become fully operational in 2013 slightly behind the new Edinburgh tram system expected to be up and running in mid-2012.

Mr. Artigot's presentation was highly effective in emphasising the vital importance of developing an effective transport infrastructure, which has the potential to benefit all sectors of local and regional economy. Utilising the expertise gained elsewhere, Scotland generally and Edinburgh in particular can avoid the failure of costly experiments and directly benefit from the specialists knowledge of developers engaged in urban development elsewhere in Europe and the world.



Economic challenges for the Edinburgh city region and the implications for city region strategy

Reporting on the state of the Edinburgh city region in the economic crisis, Clare Reid, Strategic Development Director for Experian, 'the leading global information services company', raised hopes and provided a positive outlook for the future among the generally negative reports available in the general news media. However, she did not neglect to warn of the difficulties of recovery and the need to take the challenges ahead seriously.

Trying to gauge the impact of the recession, Ms Reid opened with an overview of some of the comparative statistical data available for different UK regions pointing out that 'Scotland's downturn had been steep, but certainly did not constitute the worst in the UK.' The GVA (Gross value added) growth in Scotland for 2009 had been almost equal with the general UK average at around -4,3% and considerably better than Wales -6.5% loss.

Recent figures have also shown the significant toll the downturn has taken on the Edinburgh city region with a significant drop in the growth of GDP, GDP per capita and job availability in 2009 when compared to 2008, leaving only the figures for population growth in the positive numbers.

The recovery has been particularly slow in Britain and the end of a pro-longed recession trend is not yet quite in sight. However, looking at the July 2009 indicators gives rise to very cautious hope – an overall negative annual trend is accompanied by encouraging monthly and comparative trends.

While the overall UK economy's recovery will most likely be gradual and take years, Experian's analysis projects a return to growth for the Edinburgh city region for 2010. The dangers of sliding back into recession cannot be underestimated as business and investment gradually picks up, because 'businesses in the city remain under pressure' and the growth rate for jobs in the region will take longer to recover than other economic indicators.

Ms Reid explained that 'the city region's resilience is driven by several factors such as **people**, **location**, **state of the community** and **business environment**' and went on to emphasise the importance of a mix of sectors in the local economy to boost relative resilience to fallout from the credit crunch. Providing expert opinion on how to optimise the economic resilience of the Edinburgh city region Ms Reid presented a catalogue of measures that would strengthen the factors above.

<p>Location Quality of place</p> <ul style="list-style-type: none"> •Internal and external infrastructure improvements •City centre vitality •Capitalise on current investor value proposition 	<p>Business Environment Supporting SMES</p> <ul style="list-style-type: none"> •Improve early warnings •Minimize the cost of doing business •Compete hard for new investment •Getting finance to the right companies •Paying bills on time
<p>People Strengthening skills base</p> <ul style="list-style-type: none"> •Maintaining and retaining talent pool • Addressing low or no skills levels in some areas 	<p>State of the Community Tackling worklessness</p> <ul style="list-style-type: none"> •Early intervention • Focus and target support towards young people •Skills matching

Closing her report on the state of the economy in the Edinburgh city region, Ms Reid outlined the implication for the regional economic framework. In order to successfully exit the recession there would have to be 'greater prioritisation of regional priorities for investment underpinned by best insight' to enable decisionmakers to exploit 'opportunities to capitalise on quality value propositions' and an emphasis on business collaboration in sharing resources, competing and lobbying policy-makers.



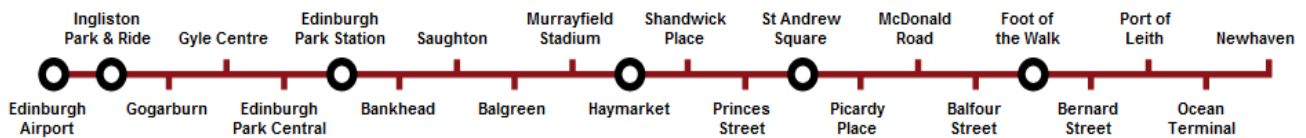
Bridges, Buses and Building a Better Regional Transport Network. Getting People to Work

Following up on Mr. Artigot's presentation on transport infrastructure in Zaragoza, Richard Jeffrey, chief executive of tie limited, presented the case for the controversial Edinburgh tram network currently undergoing construction. In light of the cautiously hopeful growth figures for the Edinburgh city region introduced by Ms Reid's presentation, Jeffrey pointed out that with the tram 'more people doing more business doesn't have to mean more congestion.' Citing the continuing growth of the city's population, he emphasised the need to meet the infrastructure needs of a public transport network under increasing pressure from growing passenger volumes. Assuring that 'no other form of transport provides the combination of capacity, speed, reliability and comfort' Jeffrey sees the clear implications of a functioning and effective local transport network as 'trams will provide a frequent service, shorter journey times and carry a high volume of passengers through the busy central corridor' as well as 'change people's travel habits, and integration with wider bus and rail services will benefit all public transport modes.'

Beyond the clear benefits of the tram to Edinburgh's transport infrastructure, the bold construction plan will also have a very positive impact on the city's economy as it 'will continue to grow, with more jobs, more people and more travel - without Trams the city's roads will not cope.' Some of those jobs to be created are directly linked to venture as it promises to offer direct employment to over 300 individuals and will create an estimated 600 indirect jobs. Connecting West Edinburgh and the Waterfront via the City Centre, the tram will serve as a stimulus for the economy and even today new developments along the tram route are in planning. Promising to pay for itself, the tram venture is projected to return £1.77 for every £1 spent. (FBC v2, 2007)

The ecological advantages of the tram as a 'green' transport option are self-evident as the tram will help in improving air quality and reduce congestion. Trams feature zero on-street emissions and use 'less energy per passenger kilometre than other modes of urban mass transport.' (UK Carbon Account for Transport, 2009)

Providing an overview of the facts and figures of the tram project, Jeffrey went on to identify the the 23 stops along 18.5 kilometre long route that will be serviced by one of the 27 vehicles of the fleet with high frequency every 5-10 minutes. An individual tram will carry up 250 passengers at speeds of up to 50 mph and provide easy 100% step-less access for wheel chairs and buggies.



Whilst acknowledging the difficulties and challenges encountered in pursuing the project, Jeffrey was able to announce satisfying progress of the road works and construction undertaken as well as the commencing of testing for the vehicles scheduled for delivery in 2010. A number of issues such as contractual disputes, delays and the problematic nature of road works had been dealt with and wouldn't negatively impact on the project. However, complex challenges are lying ahead for the tram system such as the recruitment of drivers and staff, the incorporation of safety systems and integration with the bus service in ticket provision and scheduling.

Jeffrey closed by outlining the complex communications environment in which the city had to 'win the hearts and minds' of its citizens and visitors for the project. He made it clear that a concerted effort has to be made to engage with the media, the public, politicians, city businesses and stakeholders, staff, contractors as well as shareholders and funders in steering this project, which will define, develop and enhance Edinburgh as a European metropolis, to success.

Planning Reform and the Recession

After Richard Jeffrey raised the issues of transport development during the economic crisis, Dan MacDonald, the Scottish Property Federation's Chair of the Planning Committee, continued with an assessment of the impact of the recession on the property development business in Scotland, which as a combined industry with real estate and construction makes up 14% of the GDP. (Tony McKay Economists)

MacDonald presented a telling comparative study contrasting the development costs of a 100,000 sq. ft. retail centre today and two years ago.

2 Years Ago		Now	
DEVELOPMENT COSTS		DEVELOPMENT COSTS	
Pre Development costs	£400,000	Pre Development costs	£400,000
Construction Costs, Tenant & Legal costs	£14,000,000	Construction Costs, Tenant & Legal costs	£14,000,000
Developers Profit	£1,600,000	Developers Profit	£1,600,000
TOTAL COST	£16M	TOTAL COST	£16M
INVESTMENT VALUE		INVESTMENT VALUE	
Rent – 100,00 sq.ft. @ £15 sq.ft.	£1,500,000	Rent – 100,00 sq.ft. @ £15 sq.ft.	£1,200,000
Capital Value to show Investor 5% return (i.e. cap value x 5%)	£30M	Capital Value to show Investor 5% return (i.e. cap value x 5%)	£16M
DIFFERENCE BETWEEN COST & CAPITAL VALUE	£30M - £16M = £14M	DIFFERENCE BETWEEN COST & CAPITAL VALUE	£16M - £16M = 0

The case study clearly shows the toll the recession has taken on the property development business and leaves no doubt about the narrow margin of return for investment developers today have to operate on. While economic recovery will come to Scotland, if only gradually, developers today need to continue to invest in infrastructure and properties in the Edinburgh city region in order to drive a speedy recovery process and allow the city region to prosper beyond the economic crisis.





Closing Speech by Jim Mather, Minister for Enterprise, Energy and Tourism

Marking the end of a successful conference, Jim Mather, Minister for Enterprise, Energy and Tourism, found concluding words for the exchange of ideas that took place that day and lauded the conference attendees in their efforts to 'work together, to build capability, in the broadest sense, to foster economic recovery and growth.' He emphasised the Scottish government's commitment to stimulating growth and overcoming the recession, which prompted the 'Economic Recovery plan published last month' that would 'support jobs and our communities, strengthen education and skills and invest in innovation and the industries of the future.'

He expressed his belief that collaboration between businesses and the government can yield very positive results, but also highlighted the need for leadership in these challenging times that has 'the ability to see Edinburgh and your sectors from the customers perspective.' Mather's key message was the call for investment into an economy that would have the attributes of a 'resilient immune systems that gets progressively stronger and stronger.'

Looking at the foundation's of Scotland's prosperity and mapping a road for Scotland in the future Mather expressed the urgent 'need to catch up and match other higher growth economies', but also went on to name the significant achievements that form Scottish history such as the Scottish Enlightenment drove the American Revolution and the revolutionary thinking of Scots Philosophers such as Adam Smith, David Hume & Frances Hutcheson. He made clear that 2009 holds chance to develop and support the ' talent, tolerance and technology' that had served Scotland so well in the past.